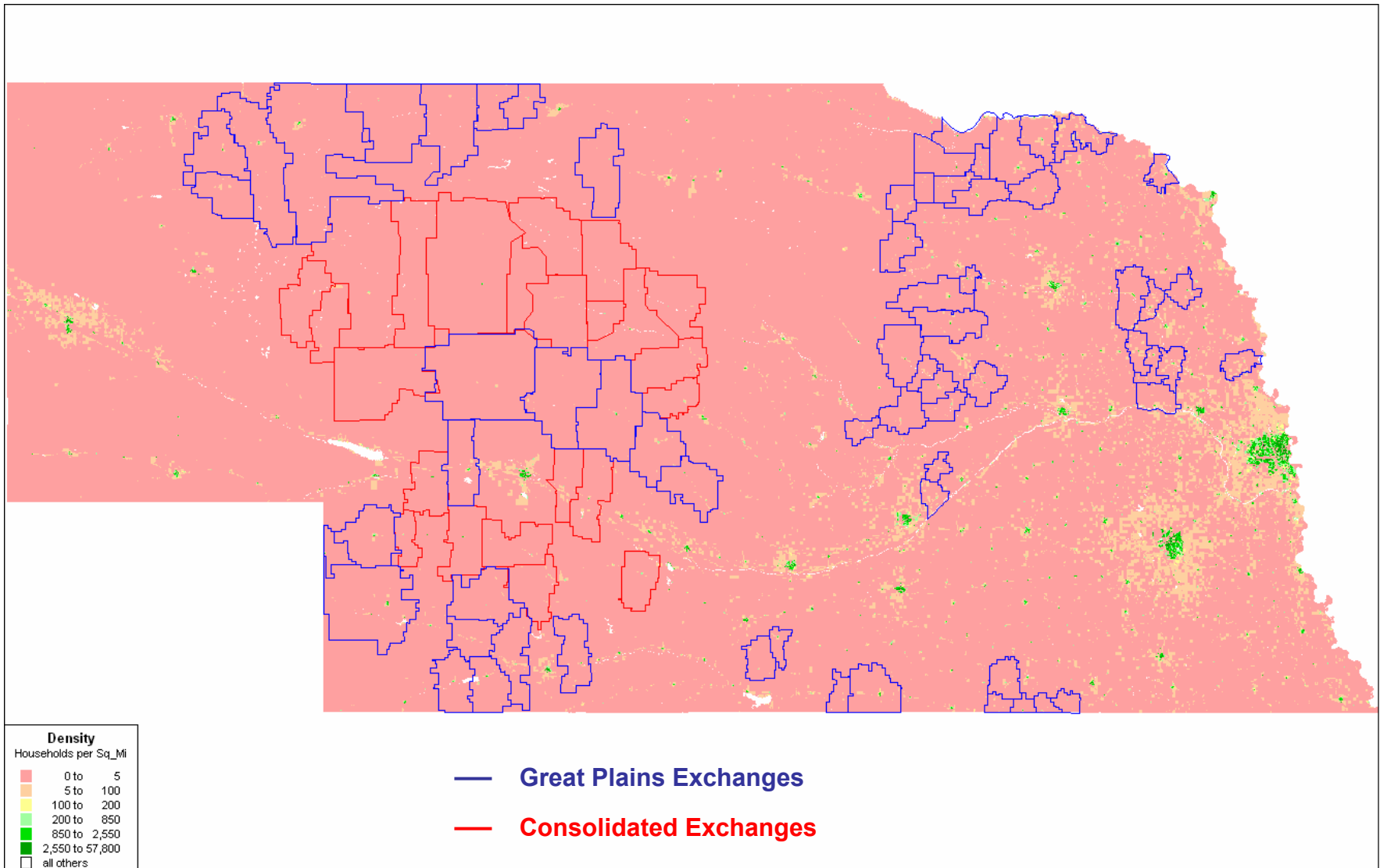


Universal Service Issues

Nebraska Rural LECs

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Glenn Brown, McLean & Brown

Great Plains and Consolidated Cos.



Universal Service Issues

- **Issues before the Joint Board**
 - How much support should an ETC receive?
 - Should support be limited to one “Primary Line”?
 - What terms and conditions should be used in making ETC designations?
- **Issues before the FCC**
 - Alabama Applications for Review
 - Virginia Cellular and Highland Cellular

Primary Line Issues

- **The Nebraska LECs support the positions expressed in the ITTA/NTCA/OPASTCO/USTA/MTA ex-parte letter of November 12, 2003**
- **A primary line regime would:**
 - **Impede telecommunications network investment and development**
 - **Fail to provide reasonably comparable services and rates**
 - **Not be competitively neutral**

Primary Line Issues

- **There is a lack of clarity as to how a primary line regime would function**
- **Additional thoughts regarding Primary Line**
 - **Shift a huge burden of support to the states**
 - **Be in violation of 254(b)(5) “sufficient and predictable”**
 - **Ignores the origin of the support as being “cost-based”**

Standards For ETC Designation

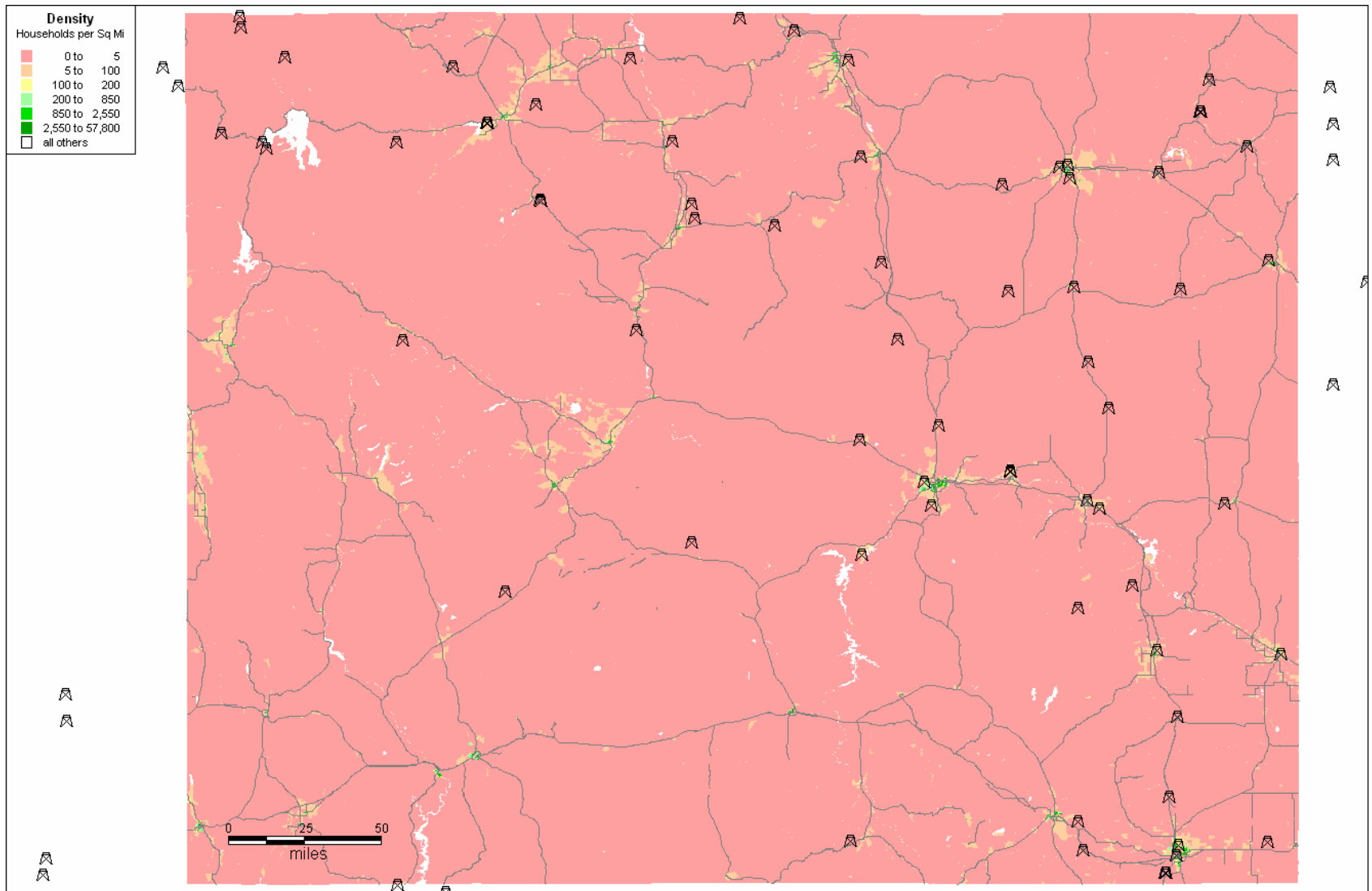
(a better answer)

- **There must be clearly defined “Public Interest” standards**
- **Meaningful “Cost/Benefit” Analysis**
 - **Cost = Increase in public expenditure**
 - **Benefits = Changes in service available to the public**
- **Some areas are so costly to serve that funding multiple ETCs is not in the public interest**
- **A “Bright Line” test should be used to identify such areas**
 - **Areas above a given cost level**
 - **Areas below a given density level**
- **Comparable service requirements for all ETCs**
- **Enforceable commitment to expand service to high-cost areas** ⁶

Enforceable Commitment

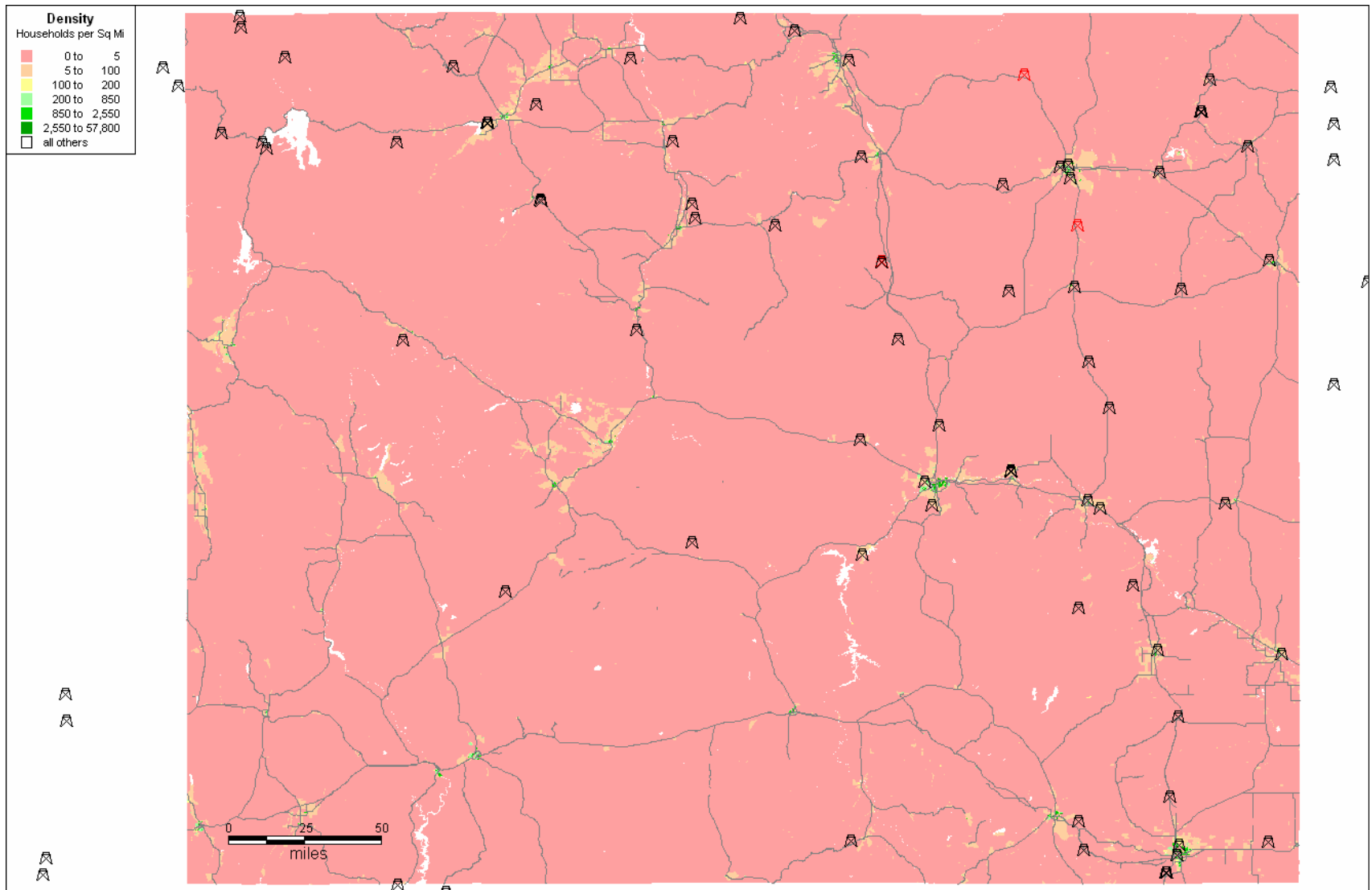
- **There must be an enforceable commitment to serve throughout the ETC service area:**
 - **Coverage by date certain (i.e., 3 years after designation)**
 - **Reporting of USF investments and service coverage in specific high-cost areas**
 - **Service must be available at the customer's premises**
- **The Vermont Order provides a good example**
- **Without an enforceable commitment it is likely that facilities will not be built in highest-cost areas**
- **Current rules and practices may not be achieving desired purposes**
 - **Wyoming and North Dakota case studies**

Western Wireless - Wyoming 12/26/00



Towers shown include both licenses and applications
Source: FCC ULS Data Base

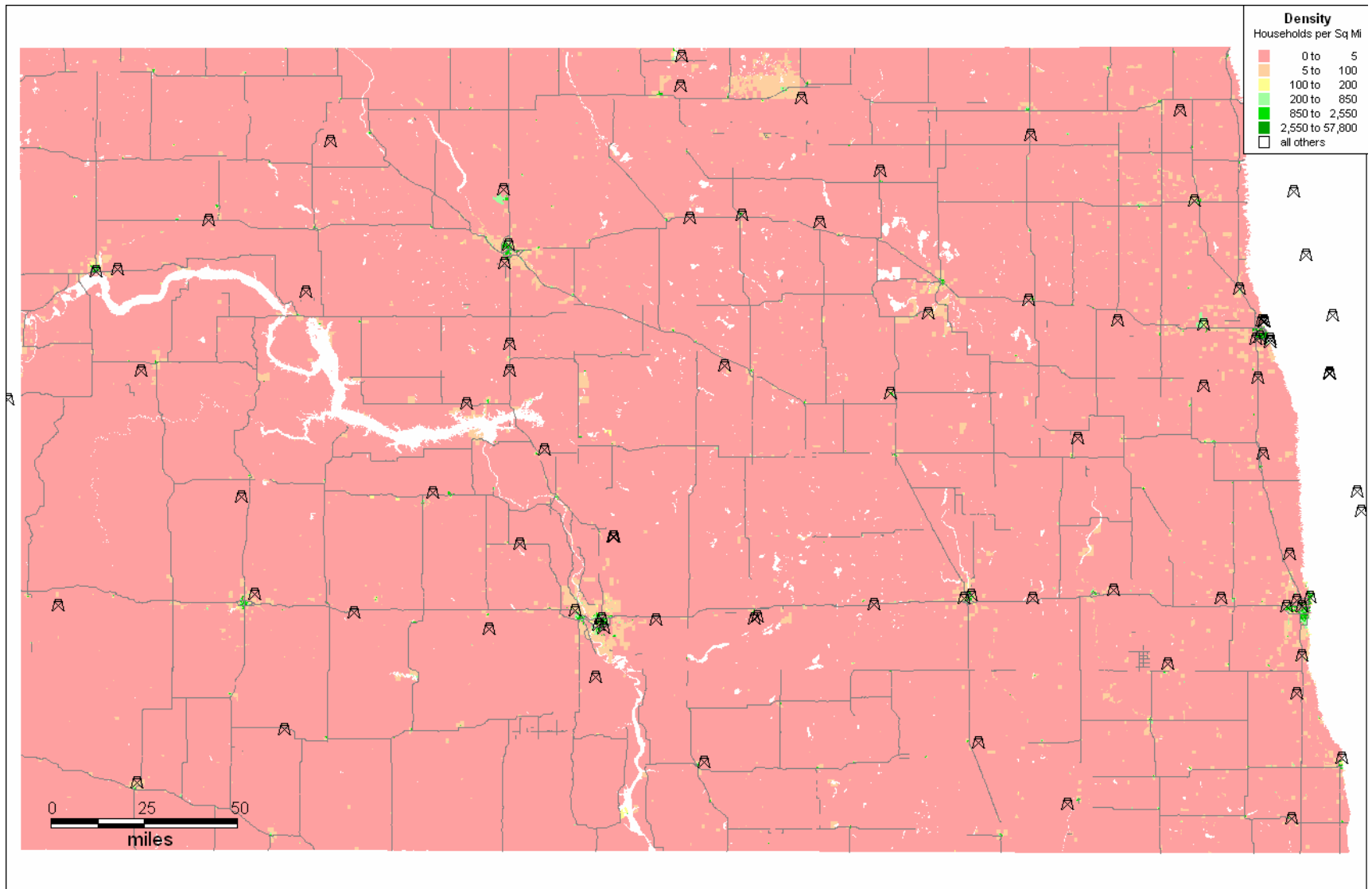
Western Wireless - Wyoming 9/1/03



Towers shown include both licenses and applications
Source: FCC ULS Data Base

Towers added since 12/26/00 are shown in red

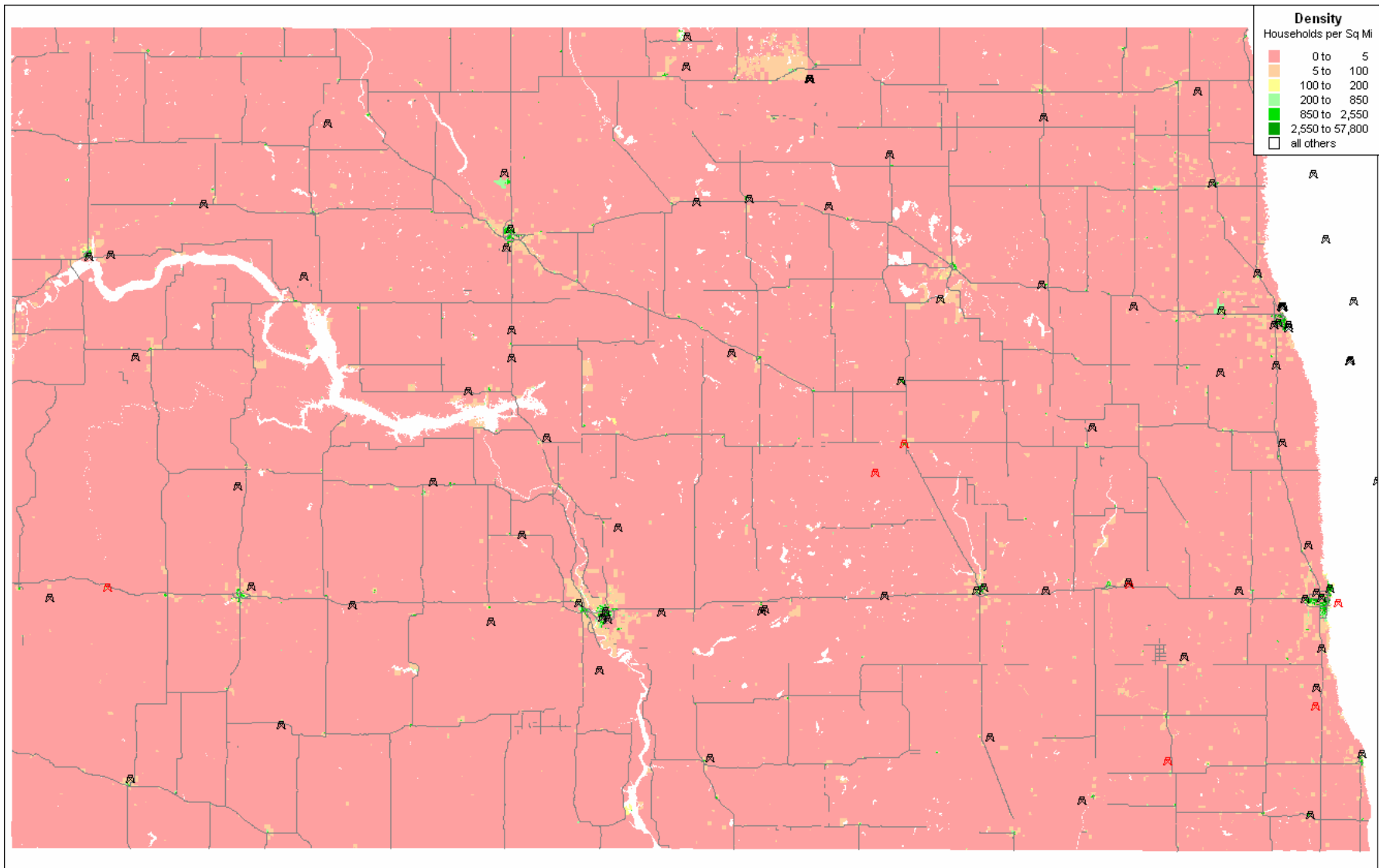
Western Wireless – North Dakota 10/3/01



Towers shown include both licenses and applications

Source: FCC ULS Data Base

Western Wireless - North Dakota 9/1/03



Towers shown include both licenses and applications
Source: FCC ULS Data Base

Towers added since 10/3/01 are shown in red

Level of Support

- To receive same support CETC must provide same service and value:
 - Service coverage area
 - Service quality
 - Equal access to long distance services
 - Access to advanced services
- The public support that a carrier receives should be commensurate with the public value that the carrier creates

Support Commensurate With Value

- **ETCs not providing equal access to IXCs should not receive access-related support:**
 - **Access-related support elements:**
 - **Long Term Support (LTS)**
 - **Interstate Common Line Support (ICLS)**
 - **Local Switching Support (LSS)**
 - **High Cost Loop (HCL) discounted by 28.5% “safe harbor”**

Support Commensurate With Value

- **Network reliability and public safety**
 - **E911**
 - **Network blocking standards**
 - **Disaster survivability (i.e., backup power, redundancy, etc.)**
- **Access to advanced services**
- **Service available throughout ETC service area**
- **By tying support provided to value created the public interest will be served**

Pending ETC Applications

- **Hold off until Joint Board makes its recommendation**
- **Next Orders will set the template for state and federal ETC proceedings throughout 2004**
- **“Competition” alone is not enough**
- **Insist on sound public interest analysis and principles**

Conclusions

- **A primary line regime will have severe unintended consequences for rural consumers located at the “extremes” of service areas**
- **Current rules and practices are creating incentives *not* to serve the most costly rural areas**
- **There must be an enforceable commitment to serve throughout the ETC service area**
- **The Commission should hold off on further ETC designations until the Joint Board makes its recommendation, and reasonable public interest standards can be developed**